Supreme Court, U.S.
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No. 85-1410

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

MALONE & HYDE, INC.,
Petitioner,

v.

TANDY CORPORATION,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

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BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

Respondent Tandy Corporation * ("Tandy") submits that the Petitioner's statement of the questions presented does not fairly reflect the bases of the decision below. While not thereby suggesting that the writ sought should be granted, Tandy respectfully urges that the questions presented are more properly framed as follows:

1. Whether the conscious infringer who adopts and uses a federally registered mark with the intent to share the desirable connotation of the mark may foreclose the owner of the mark from any remedy, notwithstanding that relief was sought within period prescribed by the analogous state statute of limitations.

2. Whether, absent extraordinary circumstances, the equitable defense of laches will bar relief to the holder of a federally registered mark who has brought suit within the analogous state limitations period.

3. Whether the public interest in freedom from likelihood of confusion in the market will be sacrificed in favor of the infringer who has not shown the owner of the mark-in-suit to have engaged in affirmatively misleading conduct tantamount to estoppel or abandonment.

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* Pursuant to Rule 28.1, Respondent advises the Court that it owns a one-half interest in Tandy Mobira Communications Corp., a corporation organized and existing under the laws of the Republic of Korea, but otherwise is not a subsidiary or affiliate of another corporation; nor does it have any subsidiaries (except wholly owned subsidiaries).

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BRIEF IN OPPOSITION

Tandy respectfully requests that this Court deny the petition for writ of certiorari seeking review of the decision of the United States Court of Appeals for the Sixth Circuit.

OPINIONS BELOW

The initial opinion of the court below, handed down on July 31, 1985, is reported at 769 F.2d 362 and the order dated November 26, 1985 denying rehearing and rehearing en banc is reported at 777 F.2d 1130. The court below reversed an order of the United States District Court for the Middle District of Tennessee granting summary judgment entered March 1, 1984 in accordance with a memorandum opinion reported at 581 F. Supp. 1124.

JURISDICTION

This Court's jurisdiction has been invoked under 28 U.S.C. § 1254(1).

STATUTE INVOLVED

This case primarily involves the Lanham Trademark Act of 1946, as amended, (*codified at* 15 U.S.C. §§ 1051 *et seq.*), pertinent provisions of which have been reprinted in the appendix to the petition. The petition omits, however, Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), which provides as follows:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

STATEMENT OF THE CASE

This is an action for infringement of federally registered trademarks and service marks[1] brought by Tandy—

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[1] Under section 45 of the Lanham Act, 15 U.S.C. § 1127:

> The term "trademark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods,

owner of the nationally famous marks RADIO SHACK®, THE SHACK®, and SHACK®—in the federal district court sitting at Nashville, Tennessee. Subject matter jurisdiction was predicated upon diversity of citizenship between the parties (28 U.S.C. § 1332) and the assertion of claims arising under the Lanham Act (15 U.S.C. § 1121; 28 U.S.C. §§ 1331 & 1338). The litigation grew out of Petitioner's entry into the retail auto parts business in Tennessee and neighboring states under the name AUTO SHACK. Tandy sought monetary and injunctive relief against Petitioner's infringement of the marks-in-suit, false designation of origin prohibited by Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and unfair competition proscribed under the common law of the states in which Petitioner carried on business under the AUTO SHACK name.

Tandy and its predecessor have used the RADIO SHACK mark in connection with consumer electronic equipment and related merchandise and the retail sale of the same over the counter and through the mails for about six decades. Its SHACK and THE SHACK marks had also been used for similar goods and services for years before Petitioner entered the auto parts business. According to a consumer survey of record below conducted in mid-1978, the RADIO SHACK mark had thereby become literally a household word, more than 98% of those surveyed stating that they were aware of RADIO SHACK stores. And, in the ten years before Petitioner

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including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term "service mark" means a mark used in the sale or advertising of services to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown.

A "mark" includes a trademark or service mark entitled to federal registration, whether or not registered. *Id.*

opened its first AUTO SHACK outlet, Tandy had invested more than $400 million promoting its marks.

At the time this litigation was commenced, Tandy owned or franchised more than six thousand authorized RADIO SHACK retail outlets in the United States. The merchandise sold for many years by these outlets include parts specifically designed for automotive use, such as speakers, radio receivers, tape players, amplifiers and boosters, cables, connectors, switches and switch panels, radar detectors, mounting brackets, lights, citizens band transceivers, alarms, noise suppressors, power converters, test equipment, tachometers, and clocks—most of which products are carried by Petitioner's AUTO SHACK stores.

Petitioner has been in business for more than eighty years, expanding from its base wholesale grocery operations into retail grocery and institutional food sales and then into specialty retailing. Petitioner's auto parts business is its most recent effort in specialty retailing. Its AUTO SHACK stores offer many automotive goods in direct competition with Tandy including electronic and electrical goods such as radios and tape players, blank cassette tapes, antennas, speakers, burglar alarms, radar detectors, and clocks, as well as electrical items of general utility such as insulating tape, terminals and connectors, wire, and extension cords. Because of this overlap in products carried by RADIO SHACK and AUTO SHACK stores, the parties directly compete with one another.

The head of Petitioner's specialty retailing group was instrumental in selecting the name under which the auto parts business would be conducted. He admitted on deposition that he had "been aware of RADIO SHACK for a long time." Indeed, he probably "first became aware of RADIO SHACK" when he "was a little kid" and, while attending college, he "would move every year" and "run down to RADIO SHACK and get whatever [he]

needed to set up [his] stereo and that type of thing." Among the names he considered was AUTO MART, because, in his words, "mart has a connotation of discount, a la K-Mart, Wal-mart, and what not." He stated that he liked AUTO SHACK because it had the word "auto" in it and it was followed by "something that carried a connotation of discount or value." Within Petitioner's organization, this was hardly an aberrational approach to the marketplace.

Unbeknownst to Tandy at the time, Petitioner had banded together with other retail chain store operators to pursue a declaratory judgment action against the manufacturer of the highly successful and famous TYLENOL brand of non-aspirin pain reliever. *Kroger Co., et al. vs. Johnson & Johnson Co.*, No. C-1-81-708 (S.D. Ohio). Petitioner there sought a decree declaring the legality of its similarly named and packaged house brand—HYDENOL. Petitioner's attorney in that case made no bones about the company's state of mind. As recounted in the reported opinion he stated explicitly, "While I draw a distinction, I want to make it very plain that we, along with many other companies, purposely use the 'nol' to be reminiscent of [Tylenol]." *Kroger Co. v. Johnson & Johnson Co.*, 570 F. Supp. 1055, 1059 (S.D. Ohio 1983) (brackets in original). As to the similar colors chosen by Petitioner and its co-plaintiffs for their individual brands, likewise acknowledged "we wanted [the colors] to be similar [to those of Tylenol]. We wanted them to be reminiscent of Tylenol. We wanted people to look at one and it would help them associate in their mind the fact that this product was not only similar to Tylenol, but similar to a particular size or a particular shape." *Id.* at 1060 (brackets in original). Based on this and other evidence, the court there found that Petitioner had a policy of imitation. *Id.* at 1057.

Petitioner's AUTO SHACK business engendered widespread confusion in the marketplace. Those of Petition-

er's employees Tandy was able to depose before the district court barred further deposition discovery were virtually unanimous in recounting instances in which AUTO SHACK patrons made their checks payable to RADIO SHACK, presented RADIO SHACK coupons or advertisements, sought to purchase RADIO SHACK merchandise, or expressed a belief that the store was part of or affiliated with the RADIO SHACK chain. At best, Petitioner's personnel simply and courteously informed the patron of his or her mistake. At worst they regarded the confusion as an occasion to laugh ("We used to have a joke, 'It's the other shack,' between us employees"), to alienate a customer ("Many times [the store manager] told me that he would run them out of the store"), or to divert trade to Petitioner ("We will try to sell them something else that he could probably use instead of going all the way over there [to the nearest Radio Shack]."). In contrast, as conceded at page 8 of the petition, Tandy did not become aware that confusion was actually occurring until two years after Petitioner opened its first AUTO SHACK store.

Tandy did learn, however, of Petitioner's AUTO SHACK operations shortly after the first store opened under that name. At that time one of its district managers clipped a newspaper article reporting the event to a staff attorney in Tandy's legal department who in turn, undertook to ascertain whether a problem existed. Tandy obtained further information and consulted outside counsel, requesting the latter to study the matter. Tandy also conducted an "in house . . . study to see how substantial the overlap of product line was." Its merchandising personnel advised staff counsel of Tandy's automotive related product lines and he, in turn, visited AUTO SHACK stores to gain a sense of their product lines and layout. Between the time outside counsel was consulted and the time suit was authorized, staff counsel was "working on accumulating the necessary information on which suit

could be predicated [, a]mong other things." By then, Petitioner had irrevocably committed itself to use of the AUTO SHACK name and knew, as Tandy did not, that there were a significant number of incidents of confusion.

As staff counsel explained the rationale for the detailed investigation before proceeding with suit:

> [I]t was evident to us and since proven to be the case that it would be a tough battle to convince [Petitioner] not to use the AUTO SHACK name.
>
> Before we wanted to go through with a lawsuit, we wanted to make sure that we thought we could win the case and do the necessary investigation and research to convince ourselves that this is the way to proceed, and once we did so and management was satisfied, we proceeded.

In that context, as in any trademark enforcement matter, a number of issues would be addressed:

> Well, the primary issue you have got to wrestle with is, one, do you think there really is some likelihood of confusion in the use of the mark; and, two, is it something that you feel that your—Do you feel it is a position that you are legally justified in asserting from the standpoint of having a reasonable chance of being successful, if you were to litigate the matter.

In pursuing that inquiry "[y]ou have to look at the allegedly infringing mark, compare it to your mark, Tandy's mark, how it is being used, what it looks like, what does it sound like." He secured field reports spotlighting customer confusion, as well as obtaining photographs of AUTO SHACK stores and copies of AUTO SHACK advertisements.

As of mid-1981, Tandy was still uncertain that sufficient evidence existed to convince a court that Petitioner's use of AUTO SHACK infringed. Indeed, Tandy had none of the proof of customer confusion later obtained in depo-

sitions, all of which was within Petitioner's control. Staff counsel explained the other factors considered by Tandy prior to commencing suit in the following terms:

> You have to remember that you cannot make decisions in a vacuum, purely based on legal theories. You have to consider the cost involved in litigation. You have to consider the relative harm, if it goes unopposed. You have to consider the relative gain. You have to consider the resources, personnel, time and money that it is going to require to support such a litigation effort.

As time passed it became clear that confusion could be proved and, therefore, by letter dated March 9, 1982, Tandy demanded that Petitioner cease and desist from using the AUTO SHACK name for its auto parts stores. When asked to state the reason for the time which had elapsed up until then, staff counsel replied "that this was a matter that we wanted to make sure that we had a very good chance of winning, make sure we had our facts straight and had our ducks in a row, so to speak, before we instituted any kind of legal action." Following a brief exchange of correspondence between the parties, this suit was instituted on April 15, 1982.

The district court granted Petitioner's motion for summary judgment, holding that Tandy was barred by laches from any and all relief. Tandy perfected its appeal to the United States Court of Appeals for the Sixth Circuit, which reversed and remanded for trial on the merits. Petitioner unsuccessfully sought rehearing and rehearing en banc below.

SUMMARY OF ARGUMENT

The court below held that an action commenced under the Lanham Act within the period allowed under the forum state's analogous statute of limitations is not to be summarily dismissed as untimely, absent demonstrably extraordinary circumstances. The thrust of the rul-

ing which Petitioner seeks to overturn is that the infringer sued within the period prescribed by statute for like proceedings at law has the burden of overcoming the presumption (1) that the aggrieved party acted with reasonable dispatch and (2) that the infringer has not been so prejudiced as to be entitled to go on deceiving the public forever. The holding below reflects established law and sound policy. It should not be set aside, especially at the behest of a deliberate poacher.

Statutes of limitations invariably embody a legislative value judgment concerning the point at which valid claims are ordinarily sacrificed in the interests of repose. *See United States v. Kubrick*, 444 U.S. 111, 117 (1979); *Johnson v. Railway Express Agency, Inc.*, 421 U.S. 454, 463-64 (1975). Courts of equity have long looked to the limitations period applicable to the analogous action at law to guide the chancellor's discretion. *See Czaplicki v. The Hoegh Silvercloud*, 351 U.S. 525, 533 (1956); *Gardner v. Panama R.R.*, 342 U.S. 29, 30-31 (1951); *Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946). In those situations which are truly extraordinary, the flexibility of equity jurisprudence provides the escape valve from the rigidity of a mechanically applied and necessarily arbitrary limitations period. *See, e.g., Craftint Mfg. Co. v. Baker*, 94 F.2d 369, 374 (9th Cir. 1938); *Layton Pure Food Co. v. Church & Dwight*, 182 Fed. 35, 40 (8th Cir. 1910). However, lest equitable discretion vary with the proverbial "length of the chancellor's foot," departure from the interval chosen by the legislature to properly balance the protection of the right in issue against the danger of stale demands must be confined to cases of palpable injustice. Otherwise, the exception swallows the rule.

It is a commonplace feature of federal statutory law to find that Congress has created rights or remedies enforceable by the federal judiciary, but has omitted to explicitly provide a limitations period for the assertion of such rights and remedies. *See Wilson v. Garcia*, ——

U.S. ——, 85 L. Ed. 2d 254, 260 (1985). Absent some manifest inconsistency with federal law or policy, the local period of limitations is adopted as federal law to fill in the gap left by Congress. *See id.* The court below can hardly be faulted for doing just that.

Quite apart from the paucity of merit in the petition, this case is not the appropriate vehicle for resolution of the questions Petitioner would have this Court decide here and now. The decision below is an interlocutory one; for that reason alone, denial of the writ would be appropriate. *See Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916). On the record below, moreover, Petitioner's conscious imitation of Tandy's mark is manifest. Equity will not reward plagiarism with immunity from suit. *See United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 101-02 (1918).

REASONS FOR DENYING THE WRIT

Tandy respectfully submits that this is not an appropriate case to command discretionary review in this Court. Review now would run contrary to the accepted policy disfavoring piecemeal appeals and, quite apart from the interlocutory character of the judgment below, the Sixth Circuit correctly decided the questions before it in accordance with the decisions of this Court and of other courts of appeal. The decision below should be allowed to stand so as to afford Tandy its trial on the merits.

The Writ Should Not Issue to Review an Interlocutory Decision

The procedural posture of this case makes it singularly inappropriate for the invocation of this Court's discretionary power of review. While interlocutory rulings of the federal courts of appeals have been within this Court's certiorari jurisdiction for nearly a century, the usual course is to decline review of decisions remanding the case to the district court for trial or other proceedings on the merits. Certiorari jurisdiction is

> to be exercised sparingly, and only in cases of peculiar gravity and general importance, or in order to secure uniformity of decision. And, except in extraordinary cases, the writ is not issued until final decree.
>
> *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258 (1916).

Accordingly, where the judgment below is not a final one, "that fact of itself alone furnishe[s] sufficient ground for the denial of the application" for writ of certiorari. *Id.*

The instant case, it will be remembered, reached the Sixth Circuit upon appeal from summary dismissal of the action and, by its reversal, the court of appeals reinstated the case for trial. Thus, there remain further proceedings below on the merits before the questions which Petitioner seeks to raise are ripe for review here. That in itself is a satisfactory reason to decline review now.

The Court Below Properly Insisted that Extraordinary Circumstances be Established to Divest Respondent of its Valuable Trademark and Service Mark Rights

The court below gave presumptive weight to the period prescribed by the analogous three year statute of limitations of the forum state, holding that an action commenced within the legislature's chosen time frame could not, without more, be viewed as so stale as to be foreclosed by laches. *See* 769 F.2d at 365-66. It explicitly reserved to infringers the opportunity to overcome the presumption by proof of unusual or extraordinary circumstances on a case-by-case basis, but concluded that Petitioner had presented nothing to justify departure from the norm. *See id.* Petitioner thus manifestly mischaracterizes the opinion below as ascribing rigid and controlling force to the limitations period.

Tandy would be hard pressed to improve on the scholarly analysis of the issue below. Suffice it to say that

limitations periods for analogous actions at law have uniformly and traditionally been the touchstone for consideration of laches defenses by courts of equity. Of the decisions cited by Petitioner and the precedents therein cited, not one sustained unprincipled deviation from the limitations period prescribed by law for analogous cases or, absent disappearance of evidence or similar prejudice to the accused's defense on the merits, authorized dismissal for laches of an equitable action brought within that period. To the contrary, those decisions which touch on the issue invariably direct the chancellor to evaluate the equitable laches defense with an eye towards the rule which would prevail in the courts of law.[2] Thus, the authorities teach that the limitations period applied in analogous actions at law are not, as Petitioner would have it, equitable ciphers which the chancellor is free to ignore at his whim.

Statutes of limitations reflect a carefully considered accommodation of competing interests, affording those aggrieved a reasonable period of time in which to present their claims while protecting their adversaries from having to defend against such claims after witnesses have died or disappeared, evidence has been lost, memories have faded, or the fair consideration of the merits is otherwise impeded. *See United States v. Kubrick*, 444 U.S. 111, 117 (1979) (statutes of limitation afford "plaintiffs what the legislature deems a reasonable time to present their claims" while avoiding "cases where the search for truth may be seriously impaired"). *Accord*, *Johnson v. Railway Express Agency, Inc.*, 421 U.S. 454,

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[2] *See Czaplicki v. The Hoegh Silvercloud*, 351 U.S. 525, 533 (1956) (rejecting argument "that the state statutes of limitations are immaterial in determining whether laches is a bar"); *Gardner v. Panama R.R.*, 342 U.S. 29, 30-31 (1951) (limitations period must be considered "as well" as equities of the parties); *Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946) (statutes of limitations are to be drawn upon "for the light they may shed in determining" the laches issue).

463-64 (1975) (length of statutory "period allowed for instituting suit inevitably reflects a value judgment concerning the point at which the interests in favor of protecting valid claims are outweighed by the interests in prohibiting prosecution of stale ones.") Public policy dictates that this legislatively crafted balance not be lightly set at naught under the rubric of equitable discretion.

The petition states and restates a truism with which neither the court below nor Tandy have taken issue—laches is an equitable defense determined initially by the district court in the exercise of its sound discretion. This is not to say, however, as Petitioner would have it, that mere incantation of the talisman "discretion" converts the court of first instance into a tribunal of last resort. To the contrary, because a court's "discretion is equitable in nature hardly means that it is unfettered by meaningful standards or shielded from thorough appellate review." *See Albemarle Paper Co. v. Moody*, 422 U.S. 405, 416 (1975). Likewise, equity's inherent flexibility and longstanding distaste for rigid application of mechanical rules is no license to jettison legislative standards and dispense "equity [which] varies like the Chancellor's foot". *See id.* (brackets in original, footnote omitted).

As recently as last term, this Court noted again that omission of a specific limitations period from a federal statute is "commonplace" and reaffirmed a line of cases extending back nearly a century holding that "[w]hen Congress has not established a time limitation for a federal cause of action, the settled practice has been to adopt a local time limitation as federal law if it is not inconsistent with federal law or policy to do so." *Wilson v. Garcia*, —— U.S. ——, 85 L. Ed. 2d 254, 260 (1985) (footnote omitted). "In borrowing a state period of limitation for application to a federal cause of action, a federal court is relying on the State's wisdom in setting a limit . . . on the prosecution of a closely analogous

claim." *Johnson v. Railway Express Agency, Inc.*, 421 U.S. 454, 463-64 (1975). This rule has long obtained, even in actions arising under statutes enforceable exclusively in the federal courts—*e.g.*, *Chattanooga Foundry & Pipe Works v. Atlanta*, 203 U.S. 390, 397-98 (1906) (antitrust); *Campbell v. Haverhill*, 155 U.S. 610, 617 (1895) (patents)—or in which Constitutional rights are vindicated—*Wilson v. Garcia*, *supra*. Where, as here, federal subject matter jurisdiction is concurrent and the rights asserted are wholly creatures of statute, perforce the settled practice ought not be disturbed.[3]

Petitioner has identified no federal law or policy inconsistent with borrowing the analogous state limitations period. Indeed, the only federal policy Petitioner mentions is that embodied in the Lanham Act, a policy this Court recognized last term as primarily directed towards making enforcement of federally registered marks more certain and affording such marks "nationally the greatest protection that can be given them." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, —— U.S. ——, 83 L. Ed. 2d 582, 587 (1985). It is curious indeed that Petitioner assails the court below for affording registrants greater certainty and enhanced protection for their marks.[4]

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[3] Petitioner conveniently ignores Tandy's assertion of independent state common law unfair competition claims below. There can be no doubt that the forum state's statute of limitation governs such claims. The decision to remand thus finds independent support in state law.

[4] It is even more curious that Petitioner—a Tennessee corporation headquartered in Memphis, Tennessee, and conducting retail operations under the challenged mark throughout Western and Middle Tennessee—advances the dire prediction that rampant forum shopping will surely follow where a federal court sitting there is required to look to the analogous limitations period of that State as its frame of reference in assessing the timeliness of the action. Petitioner's preference for wholly standardless discretion—varying, as it must, from court to court and judge to judge—provides greater incentive and opportunity to pick a forum perceived to be more sympathetic to one's own position on the issue.

The court below neither slavishly followed the analogous limitations period nor discarded it without justification. Rather, it sensibly steered the middle course—one which respects the legislative specification of that period best serving the goals of affording innocent infringers safe harbor against stale demands and allowing trademark holders adequate time to assert their claims and which accommodates those extraordinary cases whose peculiar circumstances dictate a bar to equitable relief where the counterpart action at law would be timely.

The court below plowed no new ground in presuming that an equitable proceeding commenced within the period prescribed by statute for analogous actions at law neither visits undue prejudice upon the defendant nor evidenced unreasonable delay by the plaintiff. As this case was timely brought under those standards, it was incumbent on Petitioner to show special circumstances to overcome the presumption. *See also, Craftint Mfg. Co. v. Baker*, 94 F.2d 369, 374 (9th Cir. 1938) (In suit brought within analogous limitations period, "the burden is on the defendant to show that extraordinary circumstances justify application of the doctrine of laches."); *Layton Pure Food Co. v. Church & Dwight*, 182 Fed. 35, 40 (8th Cir. 1910) (except under "unusual conditions or extraordinary circumstances" trademark infringement action timely under analogous limitations period will not be barred by laches); 4 R. Callmann, Unfair Competition, Trademarks & Monopolies § 22.21 at p. 22-111 (4th ed. 1983) ("[I]t is only in the extraordinary case that estoppel by laches will destroy a right before the applicable statute of limitations has outlawed an action based thereon."); 2 S. Symons, Pomeroy's Equity Jurisprudence § 419a at pp. 173-74 (5th ed. 1941) (Absent "unusual conditions or extraordinary circumstances make[ing] it inequitable to allow prosecution of the suit," chancellor will not invoke laches to bar action filed within "time

fixed by the analogous statute of limitations."). In this, Petitioner utterly failed.

Turning first to the question of prejudice, no contention has been made that witnesses have died or disappeared, that tangible evidence has been lost, or that Petitioner will be in any way impaired in its defense on the merits. To the contrary, Petitioner relied only on the factually controverted and admittedly conjectural theory that it would have abandoned the AUTO SHACK mark early on at Tandy's bare request. As its counsel argued in the district court—

> When we say what we would have done had they done what they should have done, I agree that that is projecting into speculation to some extent. But when you say that we're entitled to have an opportunity to make that decision as a matter of equity in right, there is no speculation involved.
>
> Now, what we're complaining about is that we didn't have a chance to back off and leave this thing alone and they knew what our plans were and they sit by and watched us spend a million and a half dollars and didn't say a word.

In his concluding remarks to the district judge, Petitioner's counsel reiterated the limited scope of asserted prejudice: "We say the *only* thing that we were really complaining about is the delay in making their demand; that we were entitled to know and given an opportunity to choose." (emphasis added). This "lost opportunity" concept, however, is wholly unsupported by authority and, if accepted, would read prejudice completely out of the laches defense, for any infringer necessarily foregoes the opportunity to alter its activities unless and until the trademark owner asserts its rights. In short, the legislature saw little risk of prejudice from delays under three years and Petitioner below demonstrated nothing special about this case from which one must conclude that the legislature was wrong in its perceptions.

Likewise, Petitioner has offered nothing to distinguish the circumstances of this case from the legislative determination that three years is a reasonable time in which to assert trademark infringement and unfair competition claims. The record is devoid of any suggestion that Tandy sought or obtained any improper tactical advantage by thoroughly investigating and building its case before pressing suit. Tandy is at a loss to comprehend what aspect of its prelitigation conduct, undisputably concluded within the time period legislatively deemed reasonable, Petitioner would have this Court view as unduly protracted.

The court of appeals below noted that affirmative misconduct in the nature of an estoppel must be raised to defeat a trademark injunction, even where a monetary award would be barred by laches. *See* 769 F.2d at 366, n.2. Petitioner cites and quotes a number of cases for the proposition that, under appropriate circumstances, laches may bar an injunctive decree as well as a monetary award and, from that proposition, leaps the rhetorical chasm to insist that the court below thereby adopted a novel *per se* rule mandating injunctive relief in all cases. However, neither the court below nor Tandy have advanced the supposed "rule" which Petitioner assails. Rather, they have adhered to principles reflected in a line of decisions spanning more than a century which, as a leading commentator observes, carefully distinguish between prospective and retrospective remedies. *See* 2 J. McCarthy, Trademarks & Unfair Competition § 31:3B at p. 555 (2d ed. 1984) ("two tier approach; a given set of facts showing plaintiff's delay and resulting prejudice to defendant can bar monetary recovery but might not bar the issuance of an injunction against future acts of infringement.")

This Court more than a century ago remarked that a trademark owner is entitled to judicial protection, "not only as a matter of justice to him, but to prevent impo-

sition upon the public." *Manhattan Medicine Co. v. Wood*, 108 U.S. 218, 223 (1883). The modern authorities likewise base the distinction upon the fact that an action for damages is a private matter between the parties while an injunction against continued infringement is granted to serve the public interest as well. *See, e.g., James Burrough Ltd. v. Sign of Beefeater, Inc.*, 572 F.2d 574, 578 (7th Cir. 1978) ("a trademark infringement action involves not only the right of the trademark owner to control the reputation of his product, but also the right of the consuming public to be free of confusion"). Thus, the infringer must make a greater showing once the weight of the public interest is added to the balance.

Having Deliberately Imitated Tandy's Famous Marks, Petitioner May not Assert the Equitable Defense of Laches

Petitioner's claim to have adopted and continued to use the AUTO SHACK name in good faith is, to put it charitably, very much disputed on this record. Even if Tandy had allowed the statutory limitations period to expire, the very authorities on which Petitioner relies hold that evidence of plagiarism will defeat the laches defense. Perforce, such a showing overcomes that defense in instances, such as this case, involving shorter periods.

Petitioner, it will be remembered, stands condemned from the bench and out of its own mouth as an imitator of nationally prominent brands who, as a matter of policy, actively sought an association in the consuming public's mind between itself and those who risked countless sums to promote and advertise those brands. It selected the AUTO SHACK name, well knowing of Tandy's RADIO SHACK chain, at least in part because of the desirable connotation of discount and value the word SHACK had in the marketplace, much as MART had a similar secondary meaning from its use to designate

K-MART and WAL-MART outlets.[5] *Compare with Alfred Dunhill of London, Inc. v. Kasser Distillers Products Corp.*, 350 F. Supp. 1341, 1368 (E.D. Pa. 1972) (one who chooses accused mark for its secondary meaning with awareness of registrant's reputation and image "cannot be classified as an innocent infringer"), *aff'd mem.*, 480 F.2d 917 (3d Cir. 1973). The depositions of Petitioner's personnel are replete, moreover, with incidents of actual confusion in the market, incidents which they took as opportunities to make a sale or a joke at Tandy's expense. Tandy has amply cleared the minimum evidentiary hurdle on this record; indeed, Petitioner's bad faith is virtually established.

This Court's decision in the Rexall drugstore litigation, *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918), avails Petitioner nothing. Indeed, the "conscious infringement" specified in Petitioner's extract from that case as sufficient ground to award prospective relief notwithstanding delay consists simply of the accused infringer's subjective awareness of the mark-in-suit. *See id.* at 102-03.[6] Petitioner was well aware of the marks-in-suit here, selected the AUTO SHACK name because of the desireable connotation of SHACK, and imitated nationally recognized brands as a matter of corporate policy. Thus, the facts of this case put Petitioner squarely within the rule reaffirmed in *Rectanus* that "a court of

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[5] The primary significance of SHACK hardly inspires consumer confidence, the term designating a small crudely constructed and furnished building. *See, e.g.*, Websters Third New International Dictionary at page 2083 (G. & C. Merriam Co. 1971); Webster's New World Dictionary at page 1306 (Simon & Schuster 1982); Webster's II New Riverside University Dictionary at page 1069 (Riverside Publishing Co. 1984). Had Petitioner not sought to appropriate the fruits of Tandy's labor, AUTO SHANTY would have done equally well.

[6] Indeed, the petition at page 28 acknowledges that laches alone will not bar an injunction issued to remedy "fraudulent, conscious, or intentional infringement".

equity will not ordinarily refuse an injunction for the future protection of the proprietor of a trade-mark right, even where his acquiescence and laches have been such as to disentitle him to an accounting for the past profits of the infringer" (*Id.* at 102), rather than the narrow exception carved out in that decision.

The cases culled by Petitioner from other circuits demonstrate no error in the disposition below, for they all considered delays ranging upwards of more than double that involved here or avert to circumstances whereby the plaintiff encouraged the infringement prior to suit. None hold or suggest that laches sufficient to bar a monetary award necessarily forecloses an injunctive decree or that prospective relief may be refused on facts short of an estoppel.

CONCLUSION

For the reasons stated above, the petition for writ of certiorari should be denied.

Respectfully submitted,

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